

UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

RENTAL REHABILITATION AND RECONSTRUCTION PROGRAM POLICIES AND PROCEDURES

VERSION: 2.0
January 14, 2020

Prepared by:
Virgin Islands Housing Finance Authority – CDBG-DR Division



The policies and procedures stated in this manual are current as of September 28, 2019. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for the operation of the Rental Rehabilitation and Reconstruction Program. All manuals will be reviewed periodically and will be updated. Therefore, you are strongly urged to visit our website www.vihfa.gov/cdbg-dr or to ensure that you have the latest version. There may be times, however, when a policy or procedure will change before the manual is revised.

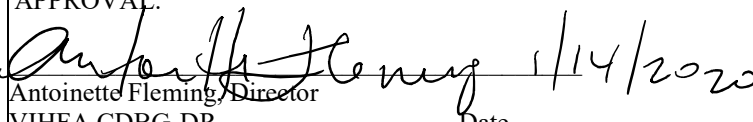
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Antoinette Fleming, Director VIHFA CDBG-DR	1/14/2020 Date

Table 1: USVI Rental Rehabilitation and Reconstruction Program Version Control

VERSION NUMBER	DATE REVISED	DESCRIPTION
VERSION 1.0	6/6/2019	Rental Rehabilitation and Reconstruction Program Policy - Version 1.0
VERSION 2.0	1/14/2019	Rental Rehabilitation and Reconstruction Program Policy - Version 2.0 Clarification of policies and procedures, addressing the following outstanding items: <ul style="list-style-type: none"> • Updated definitions and acronyms • Updated definition of stick built homes to include site built homes • Clarification of Rounds 1 and 2 • Clarification of Landlord Responsibilities • Changed definition of Major and Severe to reflect HUD definition in Federal Register Notice 6066-N-01 • Updated requirement for business license • Clarified owners covenant requirements • Updated frequency of monitoring from periodic to annual • Removed Landlord Managed Option • Clarified URA requirements

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1.0 INTRODUCTION

1.1 Summary

As a result of the damages sustained in the 2017 hurricanes Irma and Maria, the U.S. Virgin Islands received an allocation of Community Development Block Grant Disaster Recovery (CDBG-DR) funds which will be administered by the Virgin Islands Housing Finance Authority (VIHFA). The Territory has developed the Rental Rehabilitation and Reconstruction Program to cover the eligible costs for repair or replacement of storm-related damage to small rental properties with 20 or fewer units.

2.0 POLICIES

2.1 Version Policy

Version history is tracked in the table on the title page, with notes regarding version changes reflected in Table 1. The dates of each publication are also tracked in Table 1. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of version 2.0, an increase in the primary version number. Future policy changes will result in additional revisions and the issuance of a new primary version numbers.

Non-substantive changes, such as minor wording and editing, or clarification of existing policy that does not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number, such as 2.1, 2.2, etc.

2.2 Policy Change Control Board

Policy review and changes for the USVI Rental Rehabilitation and Reconstruction Program are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change Request Form or a Request for Decision Form for internal review by the Policy Change Control Board (PCCB). Within the PCCB, two members will separately perform a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change Request Form or Request for Decision is forwarded to the Policy Change Control Board for consideration. The requests are compiled and brought before the entire PCCB for a final policy change determination.

The PCCB is composed of the Special Council for Disaster Recovery, the Senior Policy Manager, the Senior Housing Program Manager, Rental Program Manager, the Case Management Manager, at least one Subject Matter Expert, and other program staff members representing Program leadership as needed.

The PCCB meets bi-weekly, as needed, to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

3.0 DEFINITIONS AND ACRONYMS

3.1 Definitions

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions. VIHFA's AGI methodology may be found in the VIHFA's Administrative Manual.

Affordable Rent: For purposes of units subject to an Affordability Period, VIHFA defines affordable rent as rental costs that do not exceed 30% of a renter's income. VIHFA uses the HUD-defined fair market rents as a basis to determine affordable rent caps. The maximum amount the Landlord may charge for an assisted unit will be limited to the Housing Choice Voucher Payment Standard.

Affordability Period: The minimum period of time the units will be required to remain "affordable" for LMI households, based on the amount of CDBG-DR assistance, the activity (new construction or rehabilitation), and the number of housing units in the project. The Affordability Period restrictions will be enforced through recorded deed restrictions, covenants, or other similar mechanisms.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the Program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Assisted Unit: Any unit within the property improved or assisted with CDBG-DR funding.

Beneficiary: The recipient deriving advantage from CDBG-DR funding; households occupying assisted units are benefits.

Builder/Contractor: (Used interchangeably) A person who contracts to construct or repair housing units and/or supervises building operations.

Case Management: Working with individual landlords/applicants to understand the Program's housing solutions, resulting in clear and transparent determination of eligibility and award amounts. Case Managers will work to decrease landlord's barriers to participate in the Program where possible. They will explain the Program's Solutions and provide information on the Reconstruction/Rehabilitation process in standardized formats.

Common Area Under Roof: The total area under the common roof is primarily interior, conditioned spaces, and for single-story homes, equal to the footprint of the house. The term is also synonymous with the eligible area. In addition, exterior spaces such as detached porches and garages are not considered eligible areas.

Damage Assessment: An inspection and assessment of the housing unit to document damage from the event, conducted by a certified or licensed inspector required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to local code, an

assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation and assistance needed to bring the property up to code at completion.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts: All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality of determined by Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property if not less than 8 units.¹

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. It is an amount determined by the Program that may result in the reduction of an award value.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable state, territorial and federal laws.

Family: The term family means all persons living together in the same housing unit, as further defined under 24 CFR 570.3.

Fair Market Rents (FMRs): The U.S. Department of Housing and Urban Development (HUD) annually estimates FMRs for Office of Management and Budget (OMB). They are used to determine payment standard amounts for the Housing Choice Voucher (HCV) Program and the Open Market Rental Program. The rent ceilings are the maximum award amounts of rent a recipient may be charged for units assisted by the Rental Rehabilitation and Reconstruction Program. 42 USC 1437f requires FMRs be posted at least 30 days before they are effective and that they are effective at the start of the federal fiscal year (generally October 1).

FEMA-Designated High-Risk Area: Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

Flood Hazard Area: Areas designated by FEMA as having risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 USC 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a

¹ <https://www.hudexchange.infor/resources/documents/Housing-and-Community-Development-Act-1974.pdf>

Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

“100-year floodplain” – the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

“500-year floodplain” – the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year.

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

Housing Choice Voucher (HCV) Program: The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The Virgin Islands Housing Authority administers the Program in the Territory. Since housing assistance is provided on behalf of the family or individual, participants are free to choose any housing, including single-family homes, townhomes or apartments that meet program requirements and is not limited to units located in subsidized housing projects.

Housing Quality Standards (HQS): The goal of the Program is to provide “decent, safe and sanitary” housing at an affordable cost to low-income families. Housing Choice Voucher (HCV) program regulations at 24 CFR Part 982 set forth basic housing quality standards (HQS) which all units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy. HQS define “standard housing” and establish the minimum criteria for the health and safety of program participants. Current HQS regulations consist of 13 key aspects of housing quality, performance requirements, and acceptability criteria to meet each performance requirement. HQS includes requirements for all housing types, including single and multi-family dwelling units, as well as specific requirements for special housing types such as manufactured homes, congregate housing, single room occupancy, shared housing, and group residences. Housing Quality Standards help HUD and the Virgin Islands Housing Authority accomplish that goal by defining “standard housing” and establishing the minimum quality criteria necessary for the health and safety of program participants. Units listed under the Open Market Rental Program are subjected to the same requirements.

Low to Moderate Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part

5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD at <https://www.huduser.gov/portal/datasets/il.html>, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Major or Severe Damage: Per the HUD defined damage categories based on FEMA damages outlined in the Federal Register 6066-N-01. According to HUD, FEMA does not inspect rental units for real property damage so personal property damage is used as a proxy for unit damage. Each of the FEMA inspected renter units are categorized by HUD into one of five categories. For rental properties, to meet the statutory requirement of “most impacted” in this legislative language, homes are determined to have a high level of damage if they have damage of “major-low” or higher. That is, they have a FEMA personal property damage assessment of \$2,000 or greater or flooding over 1 foot.

Not Suitable for Rehabilitation: The VIHFA defines “not suitable for rehabilitation” for the Program as: Structures that are considered “beyond rehabilitation” and do not meet the Program’s rehabilitation standards, and/or federal and local code requirements shall be deemed not suitable for rehabilitation, as determined by the Program and consistent with program guidelines.

Open Market Rental Program: Properties assisted by the Program are listed on the Open Market to the general public. Units are made available to low-moderate income families, the elderly, and the disabled. Landlord responsible to ensure units are decent, safe, and sanitary housing as defined in Housing Quality Standards.

Payment Standard: The Program determines a payment standard that is the amount generally needed to rent a moderately-priced dwelling unit in the local housing market and that is used to calculate the amount of housing assistance a tenant will receive. The tenant must pay 30% of its monthly adjusted gross income for rent and utilities.

Residential properties that have experienced repetitive losses under FEMA’s National Flood Insurance Program (NIFP).

Reconstruction: Demolition and rebuilding of a stick-built, site-built or modular housing unit on the same lot in substantially the same footprint and manner. This activity also includes replacing an existing substandard manufactured housing unit (MHU) or stick-built/modular housing unit. The number of units on a lot may not increase and total square footage of the original, principal residence structure to be reconstructed may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased based on the applicant’s current household size.

Rehabilitation: Repair or restoration of storm-damaged housing units in the impacted areas to applicable construction codes and standards.

Subrogation Agreement: An agreement executed by the beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

Substantial Damage: Damage of any origin sustained by a structure whereby the cost of restoring the structure to its pre-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1).

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Title 49 CFR Part 24)(42 USC 4601 et seq.) (URA): Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. URA's objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR Subpart B) and acquisition or multifamily damaged/occupied activities that require the relocation of tenants.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community; the existing conditions are recent or recently became urgent; and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the Territory must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.483(d).

United States Department of Housing and Urban Development (HUD): Established in 1965, as part of the Department of Housing and Urban Development Act, the department was created to develop and execute policies on housing and metropolises.

3.2 Acronyms

ACHP	Advisory Council on Historic Preservation
AGI	Adjusted Gross Income
AMFI	Area Median Family Income
ACM	Asbestos containing materials
A/E	Architecture / Engineering
AMI	Area Median Income
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant – Disaster Recovery
CPD	Community Planning and Development
CFR	Code of Federal Regulations
DOB	Duplication of Benefits
DR	Disaster Recovery
EPA	Environmental Protection Agency
ERC	Estimated Cost of Repairs
FMRs	Fair Market Rates
FEMA	Federal Emergency Management Agency
HCDA	Housing and Community Development Act
HCV	Housing Choice Voucher

HCVPPS	Housing Choice Voucher Program Payment Standard
HQS	Housing Quality Standards
HUD	Housing and Urban Development
MHU	Manufactured Housing Unit
NEPA	National Environmental Policy Act
NFIP	National Flood Insurance Program
NRHP	National Regional Historical Places
NTP	Notice to Proceed
PACM	Presumed asbestos containing materials
PCCB	Policy Change Control Board
QA/QC	Quality Assurance / Quality Control
RFP	Request for Proposals
RFQ	Request for Qualifications
SFHA	Specific Flood Hazard Area
SHPO	State Historic Preservation Officer
STEP	Shelter and Temporary Energy Program
SOP	Standard Operating Procedures
USC	Unites States Code
URA	Uniform Relocation Act
USVI	United States Virgin Islands
VIHA	Virgin Housing Authority
VIHFA	Virgin Islands Housing Finance Authority
VIHPC	Virgin Islands Historic Preservation Commission

4.0 PROGRAM OVERVIEW

The Rental Rehabilitation and Reconstruction Program is designed to restore small rental properties that were damaged by Hurricanes Irma and/or Maria. Rental damage from the storms has a far-reaching impact on the local population, displacing individuals and families, constricting the rental income on which landlords rely, and leaving individuals and families in sub-par housing. In response to this situation, the Territory is implementing this program to cover eligible costs for repair or reconstruction of damage to real property.

- Rehabilitation: The Program pays for eligible costs necessary to complete the repairs for rehabilitation or reconstruction of rental units that have not yet been completed, including eligible improvements for resilience.
- Reconstruction: The Program pays for eligible costs necessary to complete the reconstruction when a unit was destroyed or is determined that it is not feasible to be rehabilitated.

4.1 Program Design

The Program will provide forgivable loans to owners of rental properties with one (1) to twenty (20) units. These loans will be forgiven over a period of affordability depending on the number of units served by a program. Properties that have 1-7 units will be forgiven after five (5) consecutive years affordability to LMI households. Properties that have 8-20 units will be forgiven after fifteen (15) consecutive years of affordability to LMI households. When the loan is provided, owners/applicants agree to the following: (1) the affordable rental period based on the number of units served and (2) provide affordable rent to LMI populations for any units rehabilitated or reconstructed by the Program. During the period of affordability, all tenants must be income-approved by the Program or by the Housing Choice Voucher program prior to signing a lease.

The maximum loan awards will be equal to the lesser of \$50,000 per affordable rental unit, or 100% of the estimated cost to repair the property as determined by the Program Construction Manager approved Damage Assessment less Duplication of Benefits (DOB) as calculated in accordance with the Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act).

4.1 Administering Entity

Virgin Island Housing Finance administer the Program.

4.2 National Objective

Benefit Low-to Moderate-Income (LMI) Persons or Households through Housing Activities

4.3 Eligible Activities

Clearance, Rehabilitation, Reconstruction, and Construction of Buildings (including Housing) (HCDA Section 105(a)(4)); Public Services (HCDA Section 105(a)(8)).

4.4 Total Allocation

\$25,000,000 (\$5,000,000 (initial allocation), \$20,000,000 (tranche 2)).

4.5 Estimate Start and End Dates

Quarter 3, 2019 through Quarter 3, 2024

4.6 Basic Eligibility Criteria

The Program will be offered in multiple Rounds based on funding availability. The Program will fund the repair of privately-owned rental properties with one (1) to twenty (20) units with outstanding needs not met by insurance proceeds or other resources. Within 60 days of completion of construction and the extent of the Affordability Period, landlords must offer the units to LMI households with a priority given to Housing Choice Vouchers Recipients.

Other Eligibility Criteria:

- Units must be verified as Major or Severe damaged in Hurricanes Irma or Maria as a first priority;
- Properties may only be used for year-long rental housing and not as a second home, or seasonal or short-term rental properties;
- Rents may not exceed the Housing Choice Voucher Program Payment Standards as updated annually (see Appendix ##).
- Properties with eight or more (≥ 8) units assisted by the Program will be required to have an Affordability Period of fifteen (15) years codified in the Landlord Agreement and a recorded covenant, guaranteeing no transient use including second home, seasonal or short-term rental use;
- Properties with seven or fewer (≤ 7) units assisted by the Program will be required to have a minimum Affordability Period of five (5) years codified in the landlord agreement and a recorded covenant, guaranteeing no transient use including second home, seasonal or short-term rental use;
- All applicants are required to have and maintain a residential rental business license from the Department of Licenses and Consumer Affairs;
- Applicants with an owner-occupied unit with four or fewer rental units are not required to have and maintain a residential rental business license from the Department of Licenses and Consumer Affairs;
- Applicants with an owner-occupied unit with five or more ($5 \geq$) rental units (regardless if the units are not on one property parcel) are required to have and maintain a residential rental business license from the Department of Licenses and Consumer Affairs;
- Applicants must complete a process to verify previously received disaster recovery benefits. Unmet need is determined after accounting for all federal, Territory, local and/or private sources of disaster-related assistance, including, but not limited to FEMA, SBA, private donations, property and flood insurance proceeds;
- All units must meet the legal requirements for tenant occupancy; and
- All units must meet housing quality standards.

4.7 Priorities for Round 1 Funding

Due to limits in the funding available in the initial allocation, the Territory will prioritize the Program rental units meeting the criteria outlined below. If funds are not fully expended during

the first round of the Program for the prioritized populations below, the Territory may open Round 2 for the prioritized populations as stated in the following section.

Priority 1 applicants must meet the following criteria:

- Units that are Majorly/Severely Damaged and vacant. All units served must be reserved for LMI tenants; Landlords who offer properties to Housing Choice Voucher holders will have priority; and
- Rental Units with outstanding needs not met by insurance proceeds or other disaster recovery benefits

Priority 2 applicants must meet the following criteria:

- Units that are Majorly/Severely Damaged and occupied. All units served must be reserved for LMI tenants; Landlords who offer properties to Housing Choice Voucher holders will have priority; and
- Rental Units with outstanding needs not met by insurance proceeds or other disaster recovery benefits

4.8 Priorities for Round 2 Funding

VIHFA recognizes that prior to the storm the Territory suffered from a shortage of affordable rental units. Because of the damages sustained during the storm, the overall limited long-term rental supply was reduced. In efforts to place more units into service, Round 2 will be made available if funds are remaining from Round 1.

Priority 1 applicants must meet the following criteria:

- Units that are Majorly/Severely Damaged not served in Round 1. All units served must be reserved for LMI tenants with a priority for Housing Choice Voucher holders; and
- Rental Units with outstanding needs not met by insurance proceeds or other disaster recovery benefits.

Priority 2 applicants must meet the following criteria:

- Units that are acquired after the storm; or
- Units that were under construction; and
- The award amount must be able to bring the unit to an occupancy level; and
- All units served must be reserved for LMI tenants with a priority for Housing Choice Voucher holders.

4.9 Program Awards

The Rental Rehabilitation and Reconstruction Program will provide forgivable loans to owners of rental properties with one (1) to twenty (20) units requiring rehabilitation or reconstruction. Awards will be equal to the lesser of \$50,000 per affordable rental unit, or 100% of the estimated cost to repair the property as determined by the Program Construction Manager approved Damage

Assessment less Duplication of Benefits (DOB) as calculated in accordance with the Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act).

The Stafford Act prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funding with respect to any part of a loss resulting from a major disaster and financial assistance under any other program or from insurance or any other source that has been provided to a Rental Program property owner. Sources of DOB compensation include sources of funding assistance provided for structural damage and loss related to the disaster.

DOB reviews are calculated on the whole property (not individual units). Owners that purchased the rental units subsequent to the storms must include evidence of when property hazard insurance was obtained, along with ownership and damage condition.

The following sources are deducted from the award amount (not exhaustive list):

- FEMA assistance (STEP program assistance is not included)
- USDA loans
- SBA loans
- National Flood Insurance Program (NFIP) payments
- Private insurance: All private insurance settlement amounts for loss to real property structures. Private insurance payments for contents (personal property) or other expenses are not considered DOB.
- Charitable donations

4.10 Properties with an Owner-Occupied Unit

Properties with two (2) units where the LMI Landlord occupies one of the two units will be eligible for funding under the Homeowner Reconstruction & Rehabilitation Program, subject to that program's requirements. Properties with three (3) or more units where the Landlord occupies one of the units will be eligible for funding under the Rental Rehabilitation & Reconstruction Program.

An owner-occupied unit will be eligible for repair in properties if the Landlord's household qualifies as a LMI household. All units assisted by this program must be affordable and made available to LMI households. If the owner vacates their unit, the unit must then be made available to LMI households for the remainder of the Affordability Period.

4.11 Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance

If the damaged, reconstructed or replacement property is located in a Special Flood Hazard Area, any insurable structure on any part of the property shall always be insured under a policy of flood insurance in the amount of the lesser of: (i) the full insurable value of the structure as determined by the applicable property insurer, or (ii) the maximum amount available for the structure under

the National Flood Insurance Program, or a successor program. Failure to maintain insurance in perpetuity may result in applicants being ineligible for future disaster relief. Upon the sale or transfer of the property, applicants will, on or before the date of such transfer, and as part of the documents evidencing such transfer, notify all transferees in writing of the continuing obligation to maintain flood insurance on the property. If the applicants fail to provide such notice, applicants may be liable for future disaster assistance related to the property. All program applicants will be required to execute a covenant that will be recorded in the public records and will attach to the property.

Evidence that the damaged property (or reconstructed property) is covered by any required flood insurance must be provided at the Loan Agreement Execution and again before the final disbursement of funding. A declaration sheet describing the coverage from the Applicant's insurance company will be sufficient evidence to satisfy this requirement. If flood coverage is required, but not available due to the disrepair of the damaged property, applicants must submit a declination letter from the insurer at the Loan Agreement Execution. The applicant must also provide proof that he or she obtained flood insurance once construction has been completed, prior to final payment of grant dollars.

5.0 PROGRAM DESCRIPTION

The damaged unit(s) will be rehabilitated or reconstructed to re-occupancy standards permitted by Territory and local codes, as well as HUD HQS Standards. The funding will be based on damage assessments that use a standard grade of materials to determine the value of total repairs needed for each unit. The Program will not provide additional funding for costs related to the use of higher-grade materials or for rehabilitation or reconstruction of units that are not part of the affordability agreement. The Program will use standard grade materials for the repair or reconstruction of the eligible unit. For projects that include units that are not part of the affordability agreement or for which the applicant wishes to use upgraded materials, the Landlord will need to secure funding from other sources.

Landlords will have the following responsibilities:

- Unit(s) designated as affordable will be leased to an LMI household within sixty (60) days of the satisfactory completion of the construction closeout inspection;
- Landlords may opt to become an approved Virgin Islands Housing Authority's Housing Choice Voucher (HCV) Landlord or list the property on the open market to an approved LMI Household.
 - **Housing Choice Voucher:** Landlords must register with and be approved by the Virgin Islands Housing Authority (VIHA) Housing Choice Voucher program. Landlords must comply with all HCV regulations, remain in good standing and comply with all VIHA lease requirements (use the model lease and/or lease addendum). As the households renting under the HCV program are preapproved through VIHA's federal requirements, the Landlord will only be required to provide the HCV information and tenant occupancy date to the Program. On an annual basis, the Program will request confirmation with VIHA of Landlords' ownership and tenants' status, as well as annual verification of continued tenant occupancy.
 - **Open Market:** Landlords may only rent units to households that have been income verified as meeting the LMI household criteria by the Program. Landlord/Tenant leases will need to be approved by the Program prior to execution. Annual and periodic monitorings will be conducted to ensure compliance.

Tenant income information must be provided to the VIHFA for review and approval prior to executing new leases for new or existing tenants. Landlord must utilize the VIHFA model lease (see Appendix ##) or the VIHFA lease addendum in conjunction with their own lease; landlords that chose to use a non-VIHFA lease agreement must submit a blank copy of their lease agreement to VIHFA for approval prior to execution of the Loan agreement; (see Appendix ##) Income information will only be required at the beginning of the lease not if the lease is extended within the same household.

Rents may not exceed the Housing Choice Voucher Program Payment Standards, as updated annually (see Appendix ##). Landlords will receive rents from the household, with a payment from the Virgin Island Housing Authority for any rental subsidy.

Regardless of whether the unit is rented as HCV or on Open Market:

- Landlord must abide by Federal and Territory fair housing laws and the non-discrimination requirements outlined in the Fair Housing Act;
- For properties with five (5) or more units the Landlord must develop an Affirmative Fair Housing Market Plan (AFHMP) to affirmatively promote fair housing and comply with the Fair Housing Act;
- The damaged structure or unit(s) will be rehabilitated or reconstructed to re-occupancy standards permitted by Territory and local codes as well as HUD HQS Standards.
- Compliance with HUD Lead Safe Housing Rule;
- Compliance with the Uniform Relocation Act (URA) requirements for tenant notifications (including notifications to new and existing tenants residing in adjacent or nearby undamaged/non-applicable units that may be affected by project construction), temporary housing, and relocation assistance (including movement, storage, and security of all tenant property and personal belongings) as determined by VIHFA; and
- Landlord must arrange reasonable and timely access to the property for inspectors and contractors providing rehabilitation or reconstruction services as defined in construction agreement as three to five business days.

6.0 CONSTRUCTION MANAGEMENT

The Program will manage the construction process through completion for the rehabilitation or reconstruction of rental units that were damaged on behalf of the rental property owner. The Program desires to offer the most appropriate and cost-effective options for property owners. It will procure design services as needed for the reconstruction or repair on a case by case basis. The Program will contract with a construction contractor and assign the contractor to the project. The property owner will work with the design team and builders in the selection of standard finishes and fixtures.

If the rental property or certain units are determined to be substantially damaged, the Program funding will be used to reconstruct the property. Substantially damaged properties are those where the cost of rehabilitation is more than 50% of the cost to reconstruct, as determined by the FEMA designation, local official or by the Program. Property owners who have already demolished their damaged structures must provide documentation of the structure type, square footage, and damage to the unit(s) caused by the storm. Applicants must also provide any notice of condemnation, substantial damage notification, or other issued notice of requirement to demolish. If the cost of repairs is determined to be less than 50% of the cost to reconstruct, the property will be repaired.

The Program will oversee the entire rehabilitation or reconstruction process from beginning to end. It will utilize builders from the pre-qualified contractor's pool that has been established for the CDBG-DR projects. The Program will pay the grant proceeds directly to the construction contractor, based on Progress Inspections for work completed.

6.1 Program Payments

The Program makes payments to contractors based on work completed and inspected. All payment terms will be defined in the Loan Agreement.

Once the permits have been issued for a specific site, the builder is expected to begin work on the project within 30 days and is expected to submit draw requests for payment on a monthly basis.

The Building Contractor contacts the Construction Manager to schedule each progress inspection. Once the inspection is completed and qualities are agreed upon from the site inspection, the Building Contractor submits the payment document electronically to the VIHFA Construction Manager. The Construction Manager prepares an inspection report to accompany the Building Contractor's payment document for payment processing. Once the payment is in the system of record, the payment will be forwarded to the Housing Program staff for review and approval. Upon approval from the Housing Program staff, the Builder Contractor's payment request is forwarded to the Finance Unit for review, approval and check processing in accordance to the financial policies and procedures.

The amount allowed for payment requests will be based upon the Program Solution number of Progress inspections. The Program will withhold 10% from each draw for retainage excluding mobilization and any applicable gross receipt tax. Schedule of draw request and the associated

payment will be detailed in the construction agreements. The Program will require that the construction manager submit a schedule of values for payment processing.

7.0 PROGRAM ADMINISTRATION AND CROSS CUTTING FEDERAL REQUIREMENTS

7.1 Program Administration

The Virgin Islands Housing Finance Authority (VIHFA) will utilize a Case Management Contractor and Construction Management Contractor to complete application intake, eligibility determination, award determination and construction management. Construction will be conducted by the licensed, bonded and insured contractors that are identified as eligible to participate in the pool of contractors for housing programs.

7.2 Recapture

Recapture ensures that the benefits provided by the CDBG-DR funds remain available for future LMI households. A recapture provision is triggered if a property owner that benefited from CDBG-DR funds to repair their rental units chooses to sell or divest from the property during the Affordability Period. The property owner will be required to pay back all or part of the original CDBG-DR loan, typically through the use of proceeds in the sales transaction.

The term “recapture” can also refer to the requirement for a property owner to pay back funds, if the owner used the funds for inappropriate activities, failed to spend them by an agreed-upon deadline, or otherwise failed to comply with requirements the Program.

A property owner may be required to repay all, or a portion of the funds received. The reasons for recapture include, but are not limited, to the following:

- Failure to lease units to LMI Households;
 - Using the units for short-term or vacation rentals;
 - Providing false or misleading information to the Program;
 - Withdrawal from the Program prior to completion of the project;
 - Does not complete construction at no fault of the Program;
 - Non-compliance with the approved scope of work in a manner that would make the rental property ineligible (e.g. did not comply with lead paint abatement requirements); and/or
 - Failure to report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other duplication of benefits received after award; and
- See the VIHFA CDBG-DR Recapture Agreement for detailed information. (see Appendix ##)

7.3 Prevention of Fraud, Waste and Abuse

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, sub-recipients, sub-grantees, applicants or outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with VIHFA.

Fraud is an intentional, wrongful act to obtain either money or some other advantage or benefit from government programs. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and similar devices.

Waste is an appropriate action or omission by those with controls over government resources that results in taxpayers not receiving reasonable value for money in connection with any government-funded activities. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is an administrative violation of judiciary, court unit, or organization regulation that impairs effective and efficient operations. The violation may result in federal losses, or denial or reduction of lawfully authorized federal benefits to participants.

7.3.1 Actions that Constitute Fraud, Waste and Abuse

This Fraud, Waste, and Abuse Prevention Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Authority in the administration of all VIHFA programs and the Authority's internal procurement. Some actions constituting fraud are as follows:

- Any dishonest or fraudulent act;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of the Authority's activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Authority.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity.

It is the intent of the Authority to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Authority.

7.3.2 Management Responsibility

Management is responsible for the effectiveness and efficiency of operations, including the protection of Authority assets from fraud, waste, and abuse. Management has the responsibility for the implementation of internal controls to deter and detect fraud. Also, it is responsible for assisting in the deterrence and detection of fraud, waste, and abuse by examining and evaluating the adequacy and the effectiveness of the Authority's systems of internal control, commensurate

with the extent of the potential risk in the various segments of the organization. Management has primary responsibility for the request for investigation of fraudulent acts committed by or against the Authority.

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and will be on alert for any indication of irregularity.

7.3.3 Role of Internal Auditor

VIHFA has designated the Internal Auditor, to serve as the department's Accountability Officer. Any irregularity that is detected or suspected must be reported immediately to the Internal Auditor who coordinates all investigations with the Legal Department, and other affected areas both internal and external. The Internal Auditor has a specific role in detecting fraud, waste and abuse which is itemized as follows:

- To support management in its effort to establish a culture that emphasizes and encourages sound moral ethics, honesty, objectivity and integrity;
- To assist management with the evaluation of internal controls used to detect and mitigate fraud and to make recommendations to strengthen internal controls;
- To evaluate the organizational risk for fraud and pursue fraud investigations;
- To assess the effectiveness of the control environment, its processes and procedures that mitigate the occurrence of fraud on an ongoing and continuous basis;
- To make recommendations to management for improvement of the areas that represent a risk for fraud;
- To maintain an open line of communication with the Executive Director and the Board of Directors to facilitate the reporting of any and all fraudulent activities or areas that present a risk of fraud;
- To investigate incidences of fraud and to report such occurrences to the Executive Director and the Board of Directors.

7.3.4 Fraud Risk Management

To establish an effective system of internal control, program audit and evaluation processes that provide assurances and safeguards concerning disbursement of all VIHFA's funds, the VIHFA's Audit Division, in conjunction with other departmental personnel, will conduct a thorough and comprehensive enterprise-wide risk assessment. The risk-assessment will serve as the basis for the audit and compliance plans which will address the following:

1. Audit of paper application files for anomalies through risk-based sampling;
2. Evaluate and test selected internal controls, including any IT-related controls;
3. Deliver training to all staff responsible for monitoring or administering all funds that will focus on identification of risk factors, identification of fraud indicators, and the implementation a system of internal control that provides reasonable assurances that funds

are being administered in accordance with law, code and policy. The training sessions will emphasize that sound internal controls require the efforts of all departmental personnel, not only auditors and compliance staff;

4. Ensure that anti-fraud brochures and posters that include a fraud tip-line to the Authority are distributed and prominently displayed throughout the agency's offices in the Territory, satellite offices and construction sites;
5. Liaise with applicable Federal and Territorial law enforcement authorities concerning the disbursement of federal and local funds;
6. Implement a comprehensive and effective compliance program that includes investigative protocols, whistleblower procedures, and a process to refer matters to local authorities;
7. Ensure that the Authority's auditing, monitoring and evaluation process effectively mitigates the risk of fraud, waste and abuse and the disbursement of funds is transparent to all stakeholders;
8. Establish a Quality Assurance mechanism to ensure all federal and local reporting of funds are accurate and timely;
9. Develop and implement policies and procedures to assist in ensuring that program requirements are met, including preventing a duplication of benefits, and measures to detect and prevent fraud, waste abuse and mismanagement of funds; and
10. Comply with Federal Territorial laws, and DRGR requirements.

7.3.5 CDBG-DR Compliance and Monitoring Section

Pursuant to 21 VIC Ch. 2 Section 103, the Virgin Islands Housing Finance Authority is a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government of the Virgin Islands (the "Authority"). Section 103(x) authorizes the Authority the power to "administer the Community Development Block Grant (CDBG) Program authorized by the Department of Housing and Urban Development". Section 103(m) also authorizes the Authority to do all things necessary to carry out its purposes and exercise the powers granted in Chapter 2.

It is required that all departments administering federal resources including, but not limited to federal reconstruction resources, Community Development Block Grant (CDBG), CDBG-Disaster Recovery (CDBG-DR), HOME Investment Partnership Program (HOME), Emergency Solutions Grants Program (ESG), Housing Trust Fund, and local funds, follow a framework that will provide comprehensive and stringent safeguards to ensure that all federal resources are utilized through an ethical and transparent process. Among other things, such safeguards shall include:

- Each program shall submit all potential procurements involving expenditure of federal reconstruction resources to the CDBG-DR procurement division for review prior to the commencement of the procurement process. The CDBG-DR procurement officer shall

determine whether the proposed procurement process complies with applicable public contracting laws, rules and regulations.

- Procurement of goods and services for which local funds will be utilized, must fully comply with the Authority's Procurement Policy.

VIHFA follows a comprehensive fraud-waste-abuse prevention program which consists of integrity monitoring, internal controls assessments, and investigations in order to create a series of "check and balances" to mitigate risks and ensure compliance with Federal and State regulations.

Areas that may require additional oversight or have been identified as problematic areas including duplication of benefits, contracting and procurement, monitoring and fraud reporting, will be subjected to additional monitoring, impromptu visits and inspections. Follow up of these areas and the staff involved will be routinely scheduled. A status of these visits will be appropriately reported with recommendations made for corrective action.

The CDBG-DR Monitoring & Compliance Section is structured to allow for coordination between, and monitoring of, all CDBG-DR programs and internal operations. The primary purpose of CDBG-DR Monitoring & Compliance Section is to ensure that all programs and contractors administering CDBG-DR programs, departments, and sub-recipients comply with applicable State and federal regulations. It also serves as a layer of oversight to mitigate any potential risks, proactively detect and identify areas to prevent and minimize fraud, waste and abuse, and effectively fulfill the goals set forth in the Action Plan.

The CDBG-DR Compliance and Monitoring Section will report in writing, any suspected instance of fraud, waste and abuse to the VIHFA Internal Auditor. The VIHFA Internal Auditor will review received reports for further investigation. Should there be substantial concern, the VIHFA Internal Auditor will ensure that the VIHFA Board of Directors are updated on all reports of fraud, waste and abuse through a monthly report.

7.3.6 Fraud Training and Awareness

Comprehensive fraud training for all employees will occur on a regular schedule through training seminars, online webinars, conference calls, or other means and will be repeated periodically to keep employees alert to the potential for fraud. Fraud, waste, and abuse training is designed to meet the following objectives:

- To help establish a sound anti-fraud culture.
- To educate employees about fraud, what to look for, and how to report it.
- To heighten employee awareness, which increases the likelihood that fraud, waste, and abuse will be reported.
- To send a message that the Authority is proactively looking for fraud, that dishonest acts will be detected, and that perpetrators will be held accountable and punished.

7.3.7 Commitment to Confidentiality and Anonymity

The Authority will attempt to ensure that anonymity of the reporter is maintained. When you report, please remember the following concerning confidentiality and anonymity:

- Even if you report anonymously, once the report has been made and the investigation begins, your coworkers or others who are familiar with the situation you are reporting may still be able to guess your identity.
- Whether you report anonymously or not, the Authority will treat your report confidentially.
- It is not possible to guarantee absolute confidentiality in all circumstances. In certain cases, disclosure to others inside or outside the Authority may be required by law.
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7.3.8 Whistleblower Protection

Retaliation against an employee who in good faith filed a report of alleged fraud, waste, or abuse or who participated in an investigation, is a violation of this Policy.

7.3.9 Procedures for Reporting

7.3.9.1 Internal Reporting

Any employee who has knowledge of fraud, waste, or abuse, or who has good reason to suspect that such conduct has occurred, shall adhere to the procedures outlined below.

When suspected fraudulent activity, waste, or abuse is observed by, or made known to, an employee, the employee shall immediately report the activity to the Internal Auditor. An employee may also report fraudulent activity, waste, or abuse via the Fraud Hotline. The employee shall not make any attempt to investigate the suspected activity prior to reporting it. An employee shall not destroy, or allow to be destroyed, any document or record of any kind that the employee knows may be relevant to a past, present, or future investigation. An employee must be able to provide adequate information to support an investigation. Mere speculation does not suffice. The report must be made in good faith. An employee who knowingly makes a false or bad faith complaint will be subject to disciplinary and/or legal action.

7.3.9.2 External Reporting

The Authority cannot compel citizens and customers (non-employees) to report suspected instances of fraud, waste, or abuse. However, the Authority strongly encourages them to do so by calling the VIHFA's Fraud Hotline 1-800-347-3735, via VIHFA website or the complaint form available online or at the VIHFA office.

The Internal Auditor is able to access the VIHFA's Fraud Hotline and follow through on complaints and tips received. The Internal Auditor is exposed to key processes throughout the organization and as such maintains an open line of communication with the Executive Director and the Board of Directors of the VIHFA to facilitate the reporting of any and all fraudulent activities and/or areas that present a risk for fraud. Decisions will be made on a case by case basis for incidences of fraud, waste and abuse that may need referral to VIHFA's Legal Counsel and/or the Office of the Inspector (OIG) for further action. The legal department shall recommend to the

Internal Auditor whether the matter should be considered fraud, waste, or abuse and if so, the matter should be referred to the OIG at 1-800-347-3735 or via email at hotline@hudoig.gov

7.4 Appeals and Construction Grievance Process

7.4.1 Appeals

The Program will implement a thorough process for landlord appeals. The appeals process will be documented and posted on the EnVIsion Tomorrow CDBG-DR Housing Recovery website at <https://vistormrecovery.com/>. Case Managers will provide Appeal Forms and detailed instructions on how to file an appeal to all landlords as part of their initial discussions of the Program. The appeal process will also be detailed in all award letters or letters communicating ineligibility.

Applicants can file an appeal for one or more of the following reasons:

- Program Eligibility Determination,
- Award calculation, prior to execution of the Loan Agreement,
- Duplication of Benefits components,
- Scope of Work,
- Work in Place (WIP), or
- Estimated Cost of Repairs (ECR).

Applicants may not appeal policies that have been approved and incorporated by the Program, such as the Program's process for assessing the value of materials eligible under the Program. In addition, applicants are not allowed to appeal the award amount after loan execution. Furthermore, statutory and regulatory requirements and guidelines may not be appealed.

When an appeal is filed, the entire file will undergo a review. The review will not be limited to the issue for which the appeal was filed. This may result in a positive or negative change to the status of the file or amount of the award.

Applicants may file an appeal by completing the Appeal Form from their Case Manager. The Case Manager can assist if the applicant in completing the form.

An applicant must submit a formal Appeal Form within one of the following time limits:

- 30 days from the date of the Award Letter or Ineligibility Letter and/or 30 days from receipt of the Scope of Work, WIP, ECR, etc.

The Appeals Committee will be made up of Program staff and will include the Housing Senior Program Manager, the Senior Policy Manager and representation from the Program Legal Departments and other staff as designated by the Housing Senior Manager.

The Appeals Committee will log all appeals received including date received and reason for the appeal. The appeal form, and all supporting documentation will be uploaded into the System of

Record. The Appeals Committee will review the appeal and provide a determination within 30 days of their receipt of the formal Appeal Form. After the Appeal Committee reviews the case, a letter with the Final Determination is issued to the applicant. If the determination is in their favor and an award has been increased, then a new award letter will be sent to the applicant. The Appeals Committee's decision is final.

7.4.2 Construction Grievances Resolution

Applicants may file a grievance if they have issues with the construction contractor, the reconstruction/rehabilitation work is not following the approved scope or if there is an issue with the quality of the workmanship. Grievances should be submitted in a timely manner as stated in award agreement in order to correct problem early in the construction process and to not slow down completion of the project. Applicants may not file a grievance after sign-off of final construction payments. Grievances must be filed in writing and should include the following information in order to expedite resolution:

- Detailed explanation of grievance
- Photos of work if applicable
- Damaged address and applicant name and contact information

Grievances can be submitted the following ways:

- To Construction Manager
- To Case Manager

7.5 Conflict of Interest

All Applicants and Program staff are required to make a full disclosure to the Program of any interests, relationships, and holdings, which could potentially result in a conflict of interest. Potential conflicts of interest may include relationships with neighbors, acquaintances, friends, family members, and other members of the community. As soon as one is aware of a potential conflict, required to immediately notify Program management staff. Program management staff will ensure project team members do not process or interact with applications where the potential conflicts of interest exist.

This separation of responsibility will ensure an unbiased approach to the processing of all applications and final eligibility determinations. The goal is for every citizen to have confidence their application is being processed with expedient efficiency and integrity. In the event a potential or actual conflict is reported, the Program Manager will review the circumstances in depth and be responsible for determining the course of action to be taken if a conflict is found to exist. If a team member has any doubt as to whether a current or prior relationship poses a potential conflict of interest, they should escalate the matter to Program management for guidance.

7.6 Overview of Cross Cutting Federal Requirements

The VIHFA Rental Rehabilitation and Reconstruction Program will comply with applicable federal, state and local requirements, including but not limited to:

- HUD Lead Safe Housing Rule
- National Environmental Policies Act (NEPA)
- Housing Quality Standards (HQS)
- International Residential Building Code (IRC)
- International Building Code (IBC)
- International Energy Code
- EPA Energy Star Program
- HUD Community Planning and Development (CPD)
- Green Building Retrofit Checklist
- Section 504 of the Rehabilitation Act of 1973
- Architectural Barriers Act
- 24 CFR Part 570 and 2 CFR Part 200 for Necessary and Reasonable Requirements Cost Principals
- Davis-Bacon and Related Acts (DBRA) requirements for properties with eight (8) or more units.

7.7 Uniform Relocation Act Requirements

In keeping with the Uniform Relocation and Acquisition Policies Act of 1970 (URA), tenants occupying a unit that requires rehabilitation or reconstruction may be eligible for relocation assistance. The regulations implementing the URA are found at 49 CFR Part 24.

As determined by the Program and in compliance with applicable laws and regulations, tenants who must move from their residential rental unit permanently as a direct result of rehabilitation, demolition or reconstruction, or on a temporary basis while repair work is underway, may be eligible for relocation benefits as defined under URA. By signing the commitment letter, rental property owners/Landlords hereby certify the status of any necessary relocation benefits to tenants including certification that no relocation benefits are required because no tenants occupy the units to be assisted.

In the event that tenants require temporary relocation while repairs are underway, the tenants must be permitted to return to and reoccupy their original units or other similar units on the same property upon completion of the work at rents that are not greater than the rents at their applicable income. If a property owner/Landlord refuses to allow the temporarily relocated tenants to return and reoccupy their former units the property owner/Landlord will be considered in violation of their loan agreement, and responsible to pay permanent relocation costs. The Territory reserves the right to exercise any and all remedies as allowed in the recorded documents' the property owner/Landlord may be required to reimburse the Program for any temporary or permanent relocation expenses associated with any displaced tenants. These costs may include tenants' increased housing costs, moving expenses, and necessary out-of-pocket expenses.

The Program will determine if relocation assistance or other costs to comply with the URA are required. Costs associated with URA compliance will be paid for by the Program.

The Landlord is responsible for ensuring that the Move-In Notice is provided to all tenants moving in to applicable units. Failure to do so may result in URA obligations for the Landlord, which will not be reimbursable with CDBG-DR funds.

URA is not available to property owners unless they are LMI and their units are being assisted through the program. Refer to the VIHFA CDBG-DR URA Policy and Plan guidance for more information on URA policy.

Pursuant to Public Law 105-117, undocumented persons that are not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.

The Program will determine if notifications, as part of URA compliance, must be sent to existing tenants in applicable and non-applicable occupied units that are not part of the Program, and/or to tenants at the time of the storm. Should such notifications be required, Program will obtain the names and current addresses from the Landlord and will send the notifications. In the event that a landlord has sent required notifications, the Program will obtain evidence of delivery to the tenants.

After submitting an application to the Program, the Landlord shall not rent any units identified on the application as vacant until a Certificate of Occupancy has been issued, and the Program has verified the income of potential tenants. Once this is complete, the Program will notify the Landlord that their unit can be occupied by the tenant they have identified.

7.7.1 Environmental Review

All activities funded by CDBG-DR are subject to the provisions of the National Environmental Policy Act of 1969 (NEPA), as well as to the HUD environmental review regulations at 24 CFR Part 58. The primary purpose of this Act is to protect and enhance the quality of our natural environment. The HUD environmental review process and all necessary consultations must be completed before any funds are committed and disbursed for eligible expenses. Thus, prior to funding reconstruction or rehabilitation, the Program will conduct an environmental review on each property, which includes a site inspection.

24 CFR Part 58 states that the Responsible Entity (RE), in this case VIHFA may tier its environmental reviews and assessments to eliminate repetitive discussions of the same issues at subsequent levels of review. Tiering is appropriate when there is a requirement to evaluate a policy or proposal in the early stages of development or when site specific analysis or mitigation is not currently feasible, and a more narrow or focused analysis is better done at a later date.

The Program will follow a tiered Environmental Review process which allows for an initial “broad” review of all environmental factors that will be shared by properties in a given geographic area. Based on this broad review, the funds will be released for the Program activity contingent upon completing a “site specific” review once a potential property is identified and determined

eligible. Site specific Environmental Reviews will identify any above ground hazards, flood plains, historic properties, and noise issues when applicable.

A site-specific Tier II review must be completed for each property prior to project bidding or taking any choice limiting actions on the proposed project site. Site specific Tier II reviews will identify any above ground hazards, flood plains, historic properties, and noise issues if applicable.

Applicants will be given a “stop-work” notification from the Program at time of the initial inspection/damage assessment is conducted. This requirement will be referred to as the “stop-work requirement.” Any applicant subject to the stop-work requirement will be notified by their case manager and the applicant will sign an acknowledgement of the stop-work order. Any and all ongoing work shall cease under this order. Work in excess of emergency repairs such as additions and modifications shall be categorized as in excess of the STEP program.

8.0 PROCEDURES

8.1 Deadlines

The application period for Round 1 of the USVI Rental Rehabilitation and Reconstruction Program will be open for a period of ninety (90) days starting July 1, 2019 and ending September 29, 2019.

The application period for Round 2 of the USVI Rental Rehabilitation and Reconstruction Program will be open for a period of ninety (90) days.

8.2 Outreach

The Territory and VIHFA are committed to affirmatively furthering fair housing through established affirmative marketing and outreach activities. The VIHFA General Administrative Guide includes the agency's overarching Affirmative Marketing and Outreach policies for all programs.

For the Rental Rehabilitation and Reconstruction Program, the program manager and the Case Management provider are tasked with developing and implementing a detailed outreach plan to ensure that outreach and communications efforts reach eligible rental property owners from all racial, ethnic, national origin, religious, familial status, the disabled, "special needs", and gender groups and that they are given the opportunity to apply to the Program.

The Program Marketing and Outreach will be conducted through widely available media outlets and tasks may include:

- Advertisement in local media outlets, including newspapers and broadcast media, that provide unique access for persons who are considered members of a protected class under the Fair Housing Act.
- Flyers
- Coordination with public and/or non-profit organizations and townhall meetings
- Use of social media when appropriate

Measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding community meetings as well as all advisory meetings in buildings that are compliant with the Americans with Disability Act (ADA) providing sign language assistance when requested and providing special assistance for those who are visually impaired when requested. Translation services will be available for all community meetings as well as advisory services.

Program marketing materials, advertisements and property owner materials will be presented in English and Spanish and French Creole as requested, the prevailing languages in the Territory in accordance with Title VI of the Civil Rights Act of 1964.

The detailed Program Outreach will include methodology for evaluating the effectiveness of the outreach activities based on applications received. This evaluation will occur early in the launch phase of the Program to allow for resources to be shifted and focused in the most effective methodologies.

8.3 Applicant Communications

The Program will ensure that all applicants have updated information regarding the status of their application and award. The Program will use various methods of communication including but not limited to the following:

- Phone Calls
- Written correspondence (direct mailings, e-mail)
- Fax
- In-person meetings
- Mobile-friendly website

Applicants requiring special accommodations at the Housing Assistance Centers or who wish to inquire about accommodations at the Housing Assistance Centers would call the Program hotline.

8.3.1 Limited English (LEP)

Applicants whose primary language is Spanish and French Creole will be provided Program documents (e.g. brochures and any relevant forms) as well as other tools for guidance in Spanish and French Creole. By translating the Program documents in their native language, such applicants are ensured the opportunity to genuinely understand Program requirements. At least one Spanish Speaking Customer Service Representative will be available on staff. Spanish and French Creole translation will be available through an interpretation services by phone. The Monitoring and Compliance team will oversee and monitor the implementation of the Language Access Plan by VIHFA and its contractors.

8.3.2 Special Needs Applicants

Necessary accommodations will be made to ensure that eligible elderly persons and persons with special needs can successfully participate in the Program. These accommodations could include the use of American sign language, oral presentations of documents, and home visits by the Case Managers if the applicant is unable to come to the intake center. All intake centers will provide barrier free access and accommodations for persons with disabilities. The rehabilitation or reconstruction of rental properties with tenants who have special needs will include any necessary physical adaptations.

8.4 Application Intake

Due to the extremely limited funding available, the Program will be launched as a series of Rounds. For Round 1 the Program will fund the repair of privately-owned rental properties, of one (1) to twenty (20) units, that at the time of the storms provided rental units that have outstanding needs not met by insurance proceeds. If funding is available to complete projects not assisted in Round 1, other priorities will be considered in as stated in section 4.8.

Once a landlord has completed an application and it is submitted in the Program's system of record, he or she is an applicant to the Program. From that point forward, applicants must abide by all Program policies and procedures outlined in this manual.

Applicants are encouraged to complete the application online; however, Case Managers will be available to help applicants to complete applications at Disaster RecoveryCenters or by phone. Other reasonable accommodations may be available as needed. All applicants must sign the Program's Consent and Release, Fraud Acknowledgement, and other program-related documents as needed, in each applicant's situation. All required documentation may be submitted either electronically or in person during an appointment with a Case Manager.

All owners must be listed on the Program application. All owners must sign all program forms.

8.5 Applicant Responsibilities

Applicants are advised that additional information may be required for the Program to properly calculate the assistance and Loan Amount. They should maintain all records, receipts, invoices, and other documentation related to any repairs, construction, or clean-up of the damaged properties. The Program reserves the right to request additional documentation and the applicant is obligated to be responsive to these requests to produce such documentation as requested. This obligation continues even after all repairs have been completed and all award funds have been disbursed.

Applicants applying to the Program for assistance have the responsibility to keep the Program informed of current contact and ownership information. Applicants are responsible for actively participating in the process and providing access to their property for damage assessments, environmental testing, construction and construction progress inspections. The Program will make every attempt to remain in contact with each applicant via phone, e-mail, and U.S. Postal Service written correspondence.

If an applicant demonstrates a pattern of unresponsiveness, the Program will institute a communication due diligence procedure, after which applicants will be notified that their continued participation in the Program may be in jeopardy. The non-responsive procedure includes all of the following:

1. Three consecutive unreturned phone calls,
2. E-mail notification of attempted phone calls and request for applicant contact, and
3. U.S. Postal Service notification via certified mail with return receipt required.

If after the full succession of these communication attempts an applicant still fails to contact the Program within 30 days of the U.S. Postal Service notification mail date, the applicant will be placed on an inactive status. The applicant will be notified by e-mail and certified mail that they are on an inactive status. If the applicant does not contact the Program within 30 days of notification of inactive status, the applicant file will be withdrawn and administratively closed.

Applicants agree not to transfer the damaged property or any interest in the damaged property, whether voluntarily or involuntarily, until the rehabilitation or reconstruction to be performed under the Program has been completed.

8.6 Priority Verification

Once applicants complete the application, the Program will collect and review the supporting documentation provided by the applicant to verify whether the applicant is eligible for the priority for which they are designated. Prioritization criteria is described in Section 4.7. All information provided by the applicant on the application will be verified during the application process. If it is determined that any information provided on the application must be modified, based upon the application verification, the result could be a priority change for that applicant and/or the application could be placed on hold. The information verified during the application process will be the final basis for determining the priority for the applicant. Should a priority change be necessary, the applicant may be required to wait until their new priority is open for application before proceeding any further in the process.

8.7 Loan Determination

The Program determines the assistance and loan amount by calculating the estimated cost of repaired damages and/or total repairs needed based on the construction manager approved damage assessment less the duplication of benefits an applicant received for the same purpose. The Program then will consider the respective priority tiers, based on property occupancy status. For disabled applicants, a review and analysis of the cost reasonableness of any potential special accommodations, not in the standard repair estimate, may be made. Upon completion of the review and analysis of the cost, the applicant will receive a determination regarding inclusion of each item in the final repair estimate.

8.8 Damage Assessment and Standard Grade Materials

The Program will use a standard grade of materials to determine the value of total repairs needed for each property. The Program will not provide additional funding for costs related to the use of higher-grade materials. The Program will use standard grade materials to calculate the estimated cost for the rehabilitation or reconstruction of an eligible property.

8.9 Eligibility Determination

8.9.1 Applicant Eligibility Criteria

8.9.1.1 Ownership and Ownership Verification

Ownership of the property will be verified prior to an award or Loan Agreement execution. For properties with 2 or more rental units, one of which is an owner-occupied unit, to be eligible for Round 1 of the Rental Rehabilitation and Reconstruction Program, the applicant must have been the owner of record at the time of the applicable storm. An individual with Power of Attorney (POA) for the owner may complete the application on the applicant's behalf.

In the case of properties which have multiple owners, only one application can be submitted, listing all owners, and all owners will need to execute loan agreements. Properties owned by LLC or other ownership type, private or non-profit are eligible.

If property owners own multiple eligible properties, they must submit multiple applications to the Program (one for each property). The Program may limit the number of units per property owner due to limited funding.

When possible, the Program will validate applicant ownership of the damaged property using Nationally recognized third-party database services, including tax records to expedite applicant processing. Ownership is verified by comparing property and application information with the names and addresses on the property tax records from the time of the storm and from the most recent tax roll available. Property tax is assessed every year. If matches are found, the match establishes ownership at the time of the disaster and currently. If the Program is unable to obtain a match between the application and tax records the Program may do an abbreviated title search (ownership search) to determine ownership. No title insurance policy is issued.

If applicant ownership cannot be confirmed through third party data or in Round 2 where the property was acquired after the storm, applicants will be required to submit documentation to satisfy the ownership criteria. This documentation may include, but is not limited to, one of the following:

- Deed or official record for the property
- Rental property mortgagee documents
- Real property insurance policy
- Property tax receipts or bill

Alternative forms of ownership documents may be considered:

- Life Estate Deed: must show the applicant as grantee of the damaged property (if transferred upon the death of another – death certificate of prior owner required)
- Probated Will/Court Ordered/Judgement granting applicant an ownership interest in the damaged property
- Divorce Decree: If ownership was obtained consequent to divorce the decree must specify the damaged property was granted to the applicant
- Other documentation that will be reviewed and considered on a case-by-case basis.

8.9.1.2 Property Eligibility Criteria

Properties must meet the following eligibility criteria:

- Must be and must remain as full time, year-round rental during Affordability Period.
- Must have been Majorly/Severely damaged from either Hurricane Irma or Maria as a first priority.
- Must be between one (1) and twenty (20) rental dwelling units. A rental dwelling unit is defined as having complete independent living facilities for one (1) or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation.
- Mixed-income properties are eligible for assistance. Only units that will be rented to LMI tenants be served. Awards will be based on the number of rent-restricted affordable housing units.
- Eligible mixed-use property containing both commercial/office uses (groceries, corner stores, etc.) and residential uses (primary residences, rental units, etc.) prior to the storm are eligible only for the residential components of the property. These rental properties will receive an award only for each affordable residential unit. When determining whether a commercial property is within the eligible number of units (one to twenty) the

commercial units will not be considered in the number of units. Owner must demonstrate intent and financial capacity to complete code-compliant repair of entire property.

- Properties with units occupied by family members are eligible provided that the tenant is deemed to be a “bona fide” LMI tenant and the rent paid is market based for LMI tenants.

Properties in the following categories are not eligible:

- Structures or spaces for commercial uses prior to the storms which will be converted to residential rental space.
- Single Room Occupancy (SRO) units are not eligible. SRO units are residential properties that include multiple single room dwelling units where each unit is for occupancy by a single individual with shared kitchen and/or bathroom.
- Second homes, vacation rentals and short term rentals.

The following defines ineligible types of dwelling units that could be eligible:

- Manufactured homes, RVs and houseboats are NOT eligible structures. A manufactured home (also known as mobile home) is built to Manufactured Home Construction and Safety Standards (HUD Code). A manufactured home is a structure that is transportable in one (1) or more sections.
- Bankruptcy: Any property included in an open bankruptcy will not receive assistance from the Rental Rehabilitation and Reconstruction Program.
- Liens and Judgements: Outstanding liens (such as federal, or property tax liens, municipal assessment liens or subdivision assessment liens) and judgements which could result in foreclosure and the loss of property prior to the completion of construction must be satisfied and cancelled of record within six (6) months of the Program identifying any liens or judgements in order to receive assistance.

8.10 Relocation Assistance Costs

See URA Policy and Plan for details on eligible relocation cost.

8.11 Relocation Notifications

See URA Policy and Plan for details on required URA Notices.

8.12 Unit Occupancy

After submitting an application to the Program, the Landlord shall not rent any units identified on the application as vacant until a Certificate of Occupancy has been issued, and the Program has verified the income of potential tenants. Once this is complete, the Program will notify the Landlord that their unit can be occupied by the tenant they have identified.

8.13 Duplication of Benefits Review

Under the requirements of “The Robert T. Stafford Disaster Assistance and Emergency Relief Act” (42 USC 5121, et seq.), as interpreted and applied by HUD, the Program must consider certain aid received by applicants or subsequent owners, when applicable, in determining the amount of assistance which can be granted. The following sources of funding assistance provided for

structural damage and loss that may be considered a DOB and under federal law must be deducted from the assistance provided:

- FEMA Individual Assistance for Structure (IA)
- FEMA National Flood Insurance Program (NFIP and /or increased Cost of Compliance (ICC)
- Private Insurance
- Small Business Administration (SBA) Loans
- Charity or any other funding source that may duplicate assistance

Federal regulations require the USVI to conduct a duplication of benefits (DOB) analysis to ensure that (1) applicants do not receive more Federal funds than needed, and (2) Program funds are used to meet a need that still exists after considering other funds received.

A Duplication of Benefits (DOB) occurs when all of the following occur:

- A beneficiary receives assistance
- Assistance comes from multiple sources (example: private insurance, FEMA, NFIP, etc.)
- The total assistance amount exceeds the need for a particular recovery purpose.

Program applicants and subsequent owner must report all third-party assistance they have received towards repairing the damages to their rental property. In accordance with the Stafford Act, the Program will use the following framework to assure that any funds provided by the Program are not a DOB:

Step 1: Identify the total need for assistance any assistance being provided.

Step 2: Identify all potentially duplicative assistance received or to be received.

Step 3: Deduct assistance determined to be duplicative.

Step 4: Determine the maximum eligible award (Step 1 minus Step 3)

Step 5: Determine the Program cap (if applicable)

Step 6: Determine the final Program award which cannot exceed the Program cap.

The DOB and award Calculation template are provided in Appendix __.

8.13.1 FEMA Individual Assistance (FEMA IA)

The Program will verify the FEMA IA amount provided by the FEMA database. If an applicant can provide documentation demonstrating that the FEMA IA amount provided by the FEMA database includes non-structural related amounts, the documentation provided by the applicant will be used to adjust the FEMA IA payout amount.

8.13.2 National Flood Insurance Program (NFIP) and Increased National Cost of Compliance (ICC) Payments

The Program will verify if an NFIP claim payment was provided to an applicant using third party data. In the event of a match, the verified amount paid will be used to determine if a DOB exists and may be deducted from the amount the applicant is eligible to receive. Payments for contents or other expenses that are not related to structural loss are not deducted from the applicant's award.

8.13.3 Private Insurance and Wind Insurance

All private insurance settlement amounts for loss to dwellings are considered a DOB and may reduce the amount of disaster assistance for which an applicant may be eligible. Private insurance payments for anything other than the damaged structure (contents, fences, storage sheds, etc.) are not deducted from the applicant's award.

Private Insurance and Wind Insurance Required Documentation:

- Validated external data-source information,
- Insurance Policy Declarations page, and
- Insurance award or claims letter (if applicable) and Insurance/Benefit Certification.

8.13.4 Small Business Administration (SBA)

Pursuant to FR 6066-N-01, February 9, 2018, if an applicant was approved for an SBA loan but did not draw down any of the loan, the loan may be considered exempt from the duplication of benefits calculation. If any amount has been drawn, the entire loan amount must be counted in the duplication of benefits calculation.

SBA required documentation (if applicable) includes the following:

- SBA third-party data set
- SBA award letter (if applicable)

8.13.5 Charity

Charity required documentation (if applicable) includes the following:

- Documentation provided by a nonprofit or for-profit organization.

8.14 Allowable Activities

Any portion of DOB funds that has been determined to have been spent by the applicant on Allowable Activities, as defined below, will reduce the amount considered to be a DOB. The applicant will be responsible for accurately reporting the specific amounts spent on the Allowable Activities. Such activities include:

- Repair expenses, including emergency repairs
- Contractor fraud
- Forced mortgage payoffs
- Legal fees

8.14.1 Repair Expenses

Applicants will be able to deduct from their DOB insurance, SBA, and FEMA amounts spent to repair their property due to damage by the Disaster.

Examples of allowable eligible repair expenses include the following:

- Structural repairs (roof, foundation, electrical, plumbing, and windows)
- Limited debris removal
- Mold remediation
- Labor, material, and equipment rental to permanently or temporarily repair the damaged residence (carpeting, cabinetry, flooring, fixtures, doors, walls, and ceilings)
- Demolition costs
- Installation of wells, cisterns, septic tanks, cisterns, electricity, HVAC, and plumbing
- Grading or leveling of property
- Rental of disposal and removal equipment (backhoes and dumpsters)
- Other costs or expenses associated with repairing, stabilizing, or reconstructing the property
- Tree/shrub removal if tree/scrub blocked access to the property or presented a safety hazard

The following more specific examples considered to be allowable activities:

- Tarps
- Building supplies
- Siding
- Sewer/septic
- Paint
- Weather head
- Water heater

Required repair expenses documentation may include the following:

- Receipts (if applicable)
- Paid invoices
- Validation by Construction Inspector

8.14.2 Repair Expenses Verification Process

A Program inspector must determine with reasonable assurance that any repairs claimed for DOB offset were made after the date of the event and will document confirmed repairs with a written assessment, cost estimate and photographs.

Copies of receipts that support repairs to the property may be provided to the Program to document eligible expenditures in support of the inspection. All receipts will be reviewed for fraud and/or

post-dating. Invalid receipts will not be included in cost of repairs. Applicants will be required to document repairs made to the property if a construction inspector is unable to validate the repairs on site.

8.15 Contractor Fraud

If an applicant was a victim of contractor fraud, the amount paid to the contractor will not be counted as a DOB. All of the following documentation is required to allow the Program to determine if any amount paid to a Contractor can be excluded in the DOB calculation:

- Police report or complaint dated before the date of the application
- Proof of cancelled check (if applicable)
- Bank payment reflecting payment (if applicable)
- Contract between applicant and contractor, if applicable

Reported Contractor fraud will be verified through review of the police report and complaint. If no amount is included in the complaint, the applicant will complete an affidavit to accompany the complaint that lists an amount to reduce the DOB total. In scenarios where a police report, complaint, or contract, are not available, information provided by the applicant will be reviewed on a case-by-case basis.

8.16 Forced Mortgage Payoff

In the event an applicant's mortgage requires any insurance proceeds to be applied to reduce the lien balance, the mortgage holder (not the landlord) is considered to have legal control over those funds making the landlord legally obligated to use insurance proceeds for that purpose.

Under these circumstances, the amount of the insurance proceeds required by the mortgage company to be applied to the mortgage balance will be excluded from the DOB calculation.

To be considered for exclusion, the applicant must provide a copy of the correspondence or letter from the mortgage company on company letterhead and signed by an authorized representative stating the applicant was required to use the disaster assistance funds for this purpose. This will demonstrate they were required to apply the insurance proceeds to their mortgage balance.

8.17 Legal Fees

Legal fees/expenses incurred by the applicant due to litigation related to an Insurance policy claim for the named disaster will be excluded from the DOB calculation. To be considered for exclusion, an applicant must submit at least one of the following pieces of documentation:

- Evidence of payment to a legal firm (Attorney Fee and Expense Statement)
- Settlement agreement (if applicable)

The Program will review submitted documentation and verify if the amount paid to the Attorney can be excluded and reduce the DOB.

8.18 Requirement to Maintain Flood insurance

If the damaged, reconstructed or replacement rental property is located in a Special Flood Hazard Area, any insurable structure on any part of the property shall, always, be insured under a policy of flood insurance in the amount of the lesser of: (i) the full insurable value of the structure as determined by the applicable property insurer, or (ii) the maximum amount available for the structure under the National Flood Insurance Program, or a successor program. Failure to maintain insurance may result in applicants being ineligible for future disaster relief. Upon the sale or transfer of the property, applicants will, on or before the date of such transfer, and as part of the documents evidencing such transfer, notify all transferees in writing of the continuing obligation to maintain flood insurance on the property. If the applicants fail to provide such notice, applicants may be liable to the United States for future disaster assistance related to the property. All program applicants will be required to execute a covenant that will be recorded in the public records and will attach to the property.

Evidence that the damaged property (or reconstructed property) is covered by any required flood insurance must be provided at the Loan Agreement Execution and again before the final disbursement of loan funding. A declaration sheet describing the coverage from the Applicant's insurance company will be sufficient evidence to satisfy this requirement. If flood coverage is required, but not available due to the disrepair of the damaged rental property, applicants must submit a declination letter from the insurer at the Loan Agreement Execution. The applicant must also provide proof that he or she obtained flood insurance once construction has been completed, prior to final payment of loan dollars.

8.19 Award Calculation

The formula below is how the Program will calculate an applicant's award.

1. Identify the total need for assistance prior to any assistance being provided
2. Identify eligible cost of work completed prior to application, Work in Place (WIP)
3. Identify all potentially duplicative assistance to be deducted out of completed work.
4. Deduct assistance determined to be duplicative
5. Identify eligible repair costs/need for prospective work.
 - a. Determine maximum allowable CDBG-DR award (Lesser of Cap or cost of remaining work).

The Rental Rehabilitation and Reconstruction Program Award Calculation Template is provided in Appendix ____.

8.20 Eligible Repair Costs

The Program will determine an eligible repair estimate using information from the inspection. The repair estimate will be valued based on economy-/standard-grade materials and industry- standard labor costs. If the contract between the applicant and contractor is based on higher standards than those assessed by the Territory, the Territory will use the value of the Program's assessment as the basis for the eligible repair estimate.

8.21 Calculating Duplication of Benefits

If an applicant is receiving a rehabilitation award, then the full duplication of benefits will be accounted for at the time of the rehabilitation award calculation. The duplication of benefits check will be completed prior to the signing of the construction contract and again prior to the processing of the final draw of funds.

All unexpended duplication of benefits funding must be accounted; the DOB process will be conducted multiple times throughout the process. Applicants participating in the Program, must utilize all duplication of benefits funding prior to accessing loan funding.

8.22 Subrogation

All duplicative funding received must be remitted to the Program, regardless of when it is received. If applicants receive additional funding for the same purpose as the Program award (permanent repair to storm damaged property) after the Program award is executed, the applicant is required to remit the additional funding to the Program. By accepting the award, applicants agree that they will remit any duplicative funds to the Program, whenever received. A copy of the Program's subrogation agreement can be found in Appendix ____.

8.23 Damage Assessment and Inspections

The purpose of the Damage Assessment and Initial Site Inspection is to confirm existing site conditions and to collect information about the project site to be utilized in making property eligibility determinations and in performing Tier 2 environmental reviews. Data collected will be used to recommend a preliminary feasibility determination if the proposed project will be placed in the Landlord Reconstruction or Rehabilitation Solution.

This section outlines the policy and procedures used when performing an initial site inspection, including Substantial Damage Data Collection, development of cost estimates for work incurred prior to application and work remaining, assessment of lead paint, asbestos, and mold hazards in the property.

The Program will utilize a tiered environmental review process outlined in the Program Environmental Policy and procedures. Any significant findings will be referred to the Environmental Review Unit and consultants to address.

8.23.1 Initial Site Inspection and Estimated Cost of Repair

The initial site inspection will include an inspection to determine the Estimated Cost of Repair (ECR) in accordance with the Program inspection protocols and program specifications. This inspection will result in a recommendation for one of the following:

- Reconstruction for units that are structurally unsafe to enter or that existing conditions are such that the cost to repair exceeds 50% of the cost to reconstruct, OR
- Rehabilitation for units that are determined to be feasible for habitation after repairs are completed.

The ECR will identify quantities and scopes of work required to repair or replace storm-damaged items and to bring the remainder of the structure to compliance with Program standards and will produce a high-level cost estimate for obvious repairs and if elevation is required, to determine elevation costs.

- Determine the scope and quality of any repairs (Work in Place or WIP) completed by the applicant for use in the Duplication of Benefits determination.
- Perform assessments for deteriorated paint, lead-based paint hazards (i.e. dust-lead and soil-lead) and asbestos-containing materials (presumed or confirmed).
- Collect all required data and information to complete the site-specific information for environmental reviews.

The Case Managers will provide the Program Manager documents and information collected during the application process or intake meeting including the property address along with a Right of Entry letter, Duplication of Benefits Questionnaire, and landlord contact information. (see Appendices ##, ##)

The Case Manager will contact the applicant to schedule an appointment for the initial site inspection, providing at least 72 hours advance notice. The Program will establish a Program wide protocol for addressing non-responsive applicants which will be included in the Inspections Standard Operating Procedure (Inspections SOP). All communications and attempted communications will be documented in the system of record.

Staff conducting the initial inspection will collect sufficient data to determine the feasibility for rehabilitation and other key tasks. The damage assessor will collect information from the landlord regarding damage as well as work that has been initiated or completed. He or she will conduct a room-by-room inspection to document storm damage and identify any repairs needed to bring the rental property into compliance with construction specifications. The damage assessor will observe and document damages with notes and at a minimum of the following photos:

- Front elevation
- All other exterior elevations
- Interior photos of storm damage
- Interior photos of Minimum Housing Rehabilitation Standards violations
- Adjacent exposures (backyard, Side yards, proximity of dwellings, and any outbuilding)
- Obvious environmental issues

8.23.2 Ineligible Costs

For the following components, the Construction Managers/Damage Assessor will credit standard allowable costs (i.e. the costs used in the ECR estimate) when performing the Work in Place (WIP) assessment:

If the landlord upgraded any of the above items or had upgraded materials in place before the storm, the inspector will assign standard costs for these items in the report. The timing of the upgrade is not relevant.

- Countertops
- Cabinetry
- Flooring
- Bathroom plumbing fixtures (tub, shower, sink, etc.)
- Windows
- Doors

Other items may have had “upgrades” such as trim or millwork, have been determined to be difficult to differentiate in the field. These items will be included as allowable standard costs.

Costs incurred for items listed below are ineligible. Costs for ineligible work will not be estimated during the WIP assessment. Ineligible items include, but are not limited to:

- Outbuildings (detached garages, sheds, etc.)
- Decorative landscaping and paving
- Outdoor sprinkler systems
- Pools and hot tubs
- Solar panels

Decking beyond concrete pad (note: decking and stairs necessary to meet code requirements for ingress/egress are eligible costs). These costs will be priced in two components: 1) Eligible costs for minimal concrete pad and/or stairs as necessary to meet code requirements and 2) Ineligible costs for remaining deck,

- Fences
- Post storm additions (rooms added to original pre-storm structure)
- Outdoor showers
- Outdoor fireplaces

If there is a question whether a repair was made or not made, the damage assessor’s professional opinion will be the deciding factor on whether the item should be indicated as validated. If the applicant lists a repair but it is obvious to the damage assessor that the repair has not been completed, the damage assessor will indicate that the repair of the item cannot be validated.

8.23.3 Other Inspections/Assessments

8.23.3.1 *Lead Based Paint Risk Assessment*

Based on the Construction Manager’s determination that the property was constructed prior to 1978 and in accordance with 24 CFR 35.930(a), paint on all surfaces will be presumed to be

regulated. In accordance with 24 CFR 35.930(d) for residential properties receiving more than \$25,000 per unit in Rehabilitation Assistance per the HUD definition, the Program will abate all lead-based paint hazards (soil-lead and dust-lead) and deteriorated paint identified during the Lead (Pb) Risk Assessment. A Lead (Pb) Risk Assessment is required to identify hazards in all target housing properties that are determined feasible for rehabilitation, including the interior/exterior surfaces of the damaged unit and in common areas that service the unit. Projects receiving reconstruction are not required to be tested for lead hazards. Lead (Pb) Risk Assessments must be done by a permitted risk assessor. Properties determined to contain lead-based paint will be subject to the clearance testing requirements of the HUD Regulations.

8.23.3.2 Mold Assessment and Remediation

Mold assessment consists of visual assessment only, performed by the Construction Manager or Inspector. Mold assessment and/or testing of the existing structure are not performed on reconstruction projects. If a visual inspection reveals the presence of mold, additional testing via collection of bulk, swab and air samples is not necessary, unless recommended by the assessor or requested by the landlord and agreed to by the Construction Manager. Testing for mold should always be performed by a qualified person. The qualified person shall be trained industrial hygienist or an indoor air quality/environmental professional.

Visual inspection is the most important initial step in identifying a possible mold problem and in determining remedial strategies. The extent of any water damage and mold growth should be visually assessed and the affected building materials identified. Visual inspection should also include observations of hidden areas where damages may be present, such as crawl spaces, attics, and behind wallboard to the extent feasible without destructive testing or removal of apparently undamaged building materials.

Remediation: Currently there are no governmental standards pertaining to acceptable levels of indoor airborne mold spores and structures. Mold is present everywhere in the environment.

For all projects, identified moisture sources should be eliminated prior to further remediation. Post remediation dehumidification may be necessary to dry the remaining structural framing materials prior to any rehabilitation. In cases where this occurs the Construction managers will incorporate the cost into the ECR. Areas where mold was or is identified as part of the ISI, the Walk Through or construction will be required to be remediated by the builders. Materials harboring mold will be cleaned or replace.

8.23.3.3 Asbestos Survey Requirement

In accordance with Federal and Territory laws and regulations, a qualified asbestos inspector must perform a comprehensive building asbestos survey that is based on a thorough inspection to identify the location and condition of asbestos containing materials (ACMS) throughout any structures. When present, small amounts of drywall, mud, floor time, mastic, etc. will be collected for sampling. Every effort will be made to collect the required samples in the least destructive manner possible. Presumed asbestos containing materials (PACM) will be documented and recorded.

Proper removal and disposal of ACMs will be included in the ECR. ACMs which are friable, or which will be disturbed or removed by renovation or demolition must be removed and disposed in accordance with federal and Territory regulations by firms and individuals properly licensed for the work. If asbestos should become apparent once construction begins, procedures align with Territory and local abatement procedures as well as HUD and the Environmental Protection Agency (EPA) will be followed. The builder will be responsible to retain a qualified asbestos inspector to assess suspected ACMs to be disturbed and identified subsequent to execution of the contract. Costs for additional assessment and/or removal will be handled as a change order to the builder. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. The builder shall provide the Construction Manager with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

8.23.4 Environmental Inspection Request and Clearance

Once the initial feasibility is determined, each property is required to secure a Tier 2 Environmental Clearance. The Program will procure a third party to conducting environmental clearance. If the Environmental Contractor identifies significant issues that will limit the ability for an applicant to proceed with the reconstruction or rehabilitation of their property, the contractor will notify the Program of the specific concerns that will need to be addressed in order to secure environmental clearance. The Program will establish agreements and procedures as required to determine the quickest and most efficient ways to address environmental issues identified through the Tier 2 review process. See Environmental Policy and Procedures for details.

8.23.5 Section 106 Historic Review

All federally funded programs, including the CDBG-DR Program, are required by Section 106 of the National Historic Preservation Act of 1966 (16 USC 470f) to take into account the effects of their actions on historic properties and afford the Advisory Council on Historic Preservation (ACHP), the State Historic Preservation Officer (SHPO), as well as the Virgin Island Historic Preservation Commission (VIHPC) a reasonable opportunity to comment on such actions.

A Section 106 Review will need to be completed prior to funds being committed when the following thresholds are met:

- Properties that are 50 years old or older. There could be exceptions; check with the SHPO (located within the USVI Department of Planning and Natural Resources).
- Properties listed on or determined eligible for listing on the National Register of Historic Places (NRHP), including individual properties, those properties defined as “contributing resources” in a historic district, archaeological sites, and properties of significance to federally recognized Indian tribes and Native Hawaiian organizations.

8.24 Loan Signing

Assistance for the rehabilitation or reconstruction of rental units will be provided in the form of a forgivable loan. Loan signing is conducted before any loan funds are paid on behalf of an applicant. At the loan signing, the property owner(s) will execute all legal documents obligating and reserving the funding in the amount of the Rental Program Loan Agreement, based on the

Program requirements. If escrow funds are required, the property owner is required to make the funds available to the Program, which will create an escrow account before construction can begin.

The Rental Program Loan Agreement requires the owner to certify to the truthfulness of the information that has been provided as follows:

- Rental Award Calculation, which explains how other resources determined to be a potential DOB were handled and how the award amount was calculated. The award will be calculated using the ECR:
 - Flood Insurance Requirement, which informs the landlord of the requirement to maintain flood insurance in perpetuity and pass that obligation on to the subsequent owners.
 - Subrogation and Assignment Agreement, in which all Landlord/owner(s) agrees that any additional funds the Landlord/owner(s) may receive from potential DOB sources belongs to the Program.
 - Sufficient Funds Acknowledgement, in which the landlord attests to the best of their knowledge that he/she will provide sufficient funds above and beyond their Loan award as required to complete their project.

The Rental Program Loan Agreement may also include a declaration of covenants and restrictions that the property owner(s) agrees to abide by.

8.25 Development of Pre-qualified Architecture and Engineering Firms

The Program will develop a pool of pre-qualified architecture and engineering (A/E) firms for the purpose of developing plans and specifications for standard model properties in various layouts and sizes. The standard model properties will allow applicants options to select from for reconstructing their properties. The Program will issue an RFQ to qualified interested firms to provide services under the instruction of the VIHFA Senior Construction Manager. The responses will be evaluated on qualifications, experience, references, and overall response to the RFQ.

On a case by case basis the Program may allow alternative designs and plans from the standard models in such cases the footprint and square footage will be equal to or less than previously existing rental units and plans must satisfy the all of following:

- Plans were developed prior to application to the program,
- Plans meet program requirements,
- Minimum design standards are achieved,
- Program construction specifications for new dwellings are satisfied,
- ENERGY STAR requirements are achieved,
- Design does not include upgrades or non-standard options or requirements, and
- Design does not include ineligible items.

8.26 Development of Pre-qualified Builder Pool

The Program will develop a pool of pre-qualified builders for the purpose of providing construction services required under the instruction of the VIHFA Senior Construction Manager. The Program will issue a Request for Qualifications (RFQ) to qualified interested builders. The responses will be evaluated on qualifications, experience, references, and overall response to the RFQ. Minimum requirements for builders will include:

- Holding current licenses and registration as required by the Territory,
 - Has not been debarred or suspended,
 - In business providing similar construction services for a minimum of 5 years,
- Demonstrated experience providing work of similar scope and size,
 - Financially solvent with sufficient capitalization to manage the number of projects to be assigned,
 - Hold required licenses and certificate for lead paint and asbestos removal for residential, and

Construction or demonstrate subcontract/teaming ability with appropriately licensed team.

Builders will be required to provide Performance and Payment Bonds for projects in excess of \$100,000 construction value.

The Construction Managers will manage the Qualified Builder's capacity by monitoring financial capacity (based on bonding or financial limitations) and technical capacity. The Construction Managers will review the Qualified Builder's performance periodically and make recommendations to adjust the approved capacity of specific builders. The Program assign a builder to complete the reconstruction or rehabilitation of each project under the guidance of the Senior Construction Manager.

Construction Managers will actively manage the activities of the builders and will regularly review the responsiveness and performance of the builders in the Pool.

Builders will be reviewed for responsiveness to the pricing process and acceptance of assignments. Repeated failure on these aspects will result in limited future assignments or a probationary period without receiving additional assignments.

8.27 Review of Scope

Upon receipt of the environmental clearance and execution of the Loan Agreement, the Case manager and Construction manager will coordinate a scope of work meeting with the landlord and the builder. This meeting with the landlord involves a detailed review of the scope and budget for the reconstruction or estimated cost of repair, including elevation details (if applicable) and discussion of the next steps.

For projects that require reconstruction, the meeting to review scope will include the following, as appropriate

- Agreements will be executed with the assigned A/E and builder who will initiate a house fit study including completing a site survey and assessing elevation requirements.
- Upon completion of the initial site survey, the Construction Manager will determine which reconstruction prototype plans will be available for each site, ensuring that the plans reflect the number of bedrooms determined by the Program.
- The assigned A/E will prepare sample floor plan and street façade elevations with cost estimates for applicant review.
- The applicant will select which reconstruction prototype plans for the A/E firm and Builder to adapt specific to the survey.
- The builder will also have a copy of completed environmental clearance report, geotechnical survey report and site survey.
- The builder will also provide guidance on ADA or special needs requirements to be added as determined by the applicant and Case Manager.

For projects that require only rehabilitation, the meeting to review scope will also include the following as appropriate:

- The Construction Manager will review the federal contracting requirements with the landlord and will provide a contract amendment template for the landlord to incorporate into their contract with their selected builder.
- The Construction Manager will review the progress inspection process and the process for requesting payments.

The Construction Manager will review the restrictive covenants. The covenant will be removed at the end of the Affordability Period.

8.28 Property Design for Reconstruction

Based on the number of bedrooms and the existing footprint of the damaged property, the Construction Manager, A/E firm and/or builder will present allowable/recommended plan sets that meet the Program requirements and include footprints up to the current square footage. On a case by case basis, where the original foundation and infrastructure of the rental property remain, plans will be developed for that specific site.

Upgrades to finishes or material upgrades will not be permitted. The applicant will be allotted reasonable time to review materials and make final selections.

8.29 Builder Pricing for Rehabilitation Projects

The Construction Managers will secure pricing for each project by notifying the Program assigned builder or landlord-selected builder with each line item identified in the Scope of Work for the project. The builder will need to submit a fair and reasonable cost proposal applying proposed unit pricing and proposed quantities for each line items of work, resulting in a Total Construction Cost.

8.29.1 Builder for Rehabilitation Projects and Scope Walkthrough

Upon assignment of a project, builders must attend a scope walk that is scheduled by the Construction Manager. The scope walk is performed to ensure that the Construction Manager and the builder agree to any required modification to the scope for the project that will be used to price the project. The scope walk is scheduled based on the landlord's availability for complete access to the rental property. The Construction Manager must provide the Scope of Work with at least 48 hours of notice to the builder for the scheduled scope walk, and the builder must attend with subcontractors, if needed. The Construction manager will assign established pricing to each line items within the scope to derive the overall construction costs for the project. The established pricing will utilize VIHFA historical data.

8.30 Closing: Loan Agreement and Escrow Account for Program

8.30.1 Selected Builders

The Landlord/owner(s) signs a Loan Agreement with VIHFA that obligates their total Loan award of CDBG-DR funds. Case Managers will be responsible for preparation of any and all Loan agreement documents.

The Case Manager will assemble a form contract, the construction agreement to be executed between the Program applicants and assigned builders pertaining to the reconstruction, rehabilitation constructions activities.

The Construction Managers are responsible for managing the proper sequencing of construction projects for landlords who have program assigned builders to ensure proper controls are in place by the builder to adhere to the terms and conditions of the construction contract. The primary purpose of a Notice to Proceed (NTP) is to control the timing of the initiation of construction and avoid any construction project starting without the proper permit or authorization. Only the Construction Manager shall issue an NTP to the builder.

8.30.2 Closing

The closing process is composed of four (4) key steps:

1. Construction Manager uploads the fully designed construction scope of work with back-up supporting documentation into the System of Record.
2. The Program staff will prepare a final award calculation reflecting the updated construction price, determine escrow requirements and notify the landlord of required funds for escrow.
3. The Construction Manager will schedule an appointment in coordination with the landlord and Case Manager to:
 - a. Execute an Amendment to the Loan Agreement reflecting the final construction price,
 - b. Execute the Private Escrow Agreement to provide approval for disbursing funds out of the escrow account to the assigned builder.

- c. Execute the Construction Agreement, indicating the final construction price reflecting any approved change orders, and
- d. Review construction schedule, landlord requirements and any other preparatory work to be ready for start of construction.
 - i. Upon execution of the required documents and the builder and landlord satisfying all program requirements, the Construction Manager will issue a notice to proceed to initiate construction.

8.30.3 Escrow Agreements and Requirements

Where possible VIHFA will attempt to avoid creation of escrow accounts and establish controlled procedures for Landlord/owners to contribute DOB funds that must be used first in funding CDBG-DR funded reconstruction and rehabilitation. The VIHFA Collections & Services department will ensure that proper controls are in place. Where necessary, the Program will utilize escrow accounts to secure funds from the landlord as described below.

8.30.4 VIHFA Approvals and Funding Requests

Upon VIHFA final determination of the funding award, Case Managers will transfer all necessary documents for Loan signing, along with a closing checklist of what has been obtained and what is outstanding for VIHFA review. VIHFA will verify completeness and compliance and approve the file to move forward.

8.30.5 Escrow Accounts

- VIHFA will act as agent for the CDBG-DR Program Grant Funds and for the funds provided by and/or for the benefit of the landlord. If needed, VIHFA will provide escrow services through its MITAS Loan Servicing. The escrowed funds will be held in an account specifically targeted for the disaster recovery efforts, and thereafter into sub-accounts for each property. Prior to beginning construction, landlords will be required to provide the required information to open an account (name, mailing address, property description, etc.) and sign the appropriate agreements. These agreements set forth the terms and conditions of the escrow agreements, provisions related to the role and authority of the escrow agent and general conditions related to discharge of Escrow Agent, notice governing law and amendments to the agreements.

8.30.6 Notice to Proceed (NTP)

The NTP process is composed of four key tasks:

1. The Construction Manager gathers information and develops an NTP package.
2. The builder gathers necessary information and conducts activities to prepare for demolition (if needed) and construction initiation (e.g. obtains necessary permits).
3. Landlord deposits funding into escrow account (if required).
4. Construction Manager issues NTP.

8.30.7 Procedure for Issuance of Notice to Proceed (NTP) When Demolition Not Required

The following procedures will be followed by the Construction Manager for issuing any NTP when demolition is not required:

1. The Construction Manager will gather information from the closing and develop a NTP package:
 - Assemble the Loan Agreement Signing information into a complete package for the landlord to review
 - Follow an NTP checklist to ensure all documents are present
 - Submit the Loan package for review by the QA/QC team
 - Upload all documents into the system of record
 - a. The builder will gather necessary information for inclusion in the NTP Construction Package and takes necessary steps to initiate all construction work. After the contract execution the builder initiates the administrative requirements to provide bonds, secure permits, disconnect utilities and have the landlord move out of the dwelling (if applicable). The Construction Manager will provide proof that the following NTP Conditions have been met:
 - Valid performance and payment bonds have been submitted to the Program
 - b. For projects in excess of \$100,000 construction value, the builder will provide an overall bonding letter to the Construction Manager, which will verify the bonding capacity and issue a copy of the bond to the landlord. The copy of the bond will be provided to the landlord before the NTP is issued.
 - All insurance policies are active as required by the contract.
 - Zoning and land use approvals have been obtained.
 - Utilities have been properly disconnected and retired.
 - Contractor obtains construction permits.
 - Landlord has moved out OR a contents removal plan has been agreed upon between the builder and the landlord (for rehabilitation).
 - Contractor holds all valid Registrations and Warranty Program Registrations.

The Construction Manager issues an NTP for reconstruction or rehabilitation, based on project requirements. The NTP will be issued in writing using the appropriate form. The NTP will be provided in hard copy or a scanned version is e-mailed to the builder and the scanned version is uploaded into the landlord's file.

8.30.8 Procedure for Issuance of Notice to Proceed (NTP) Demolition Required

When the property needs to be demolished prior to the start of reconstruction, if the local municipality will not issue zoning approval and building permits until the demolition is completed, the additional NTP steps listed below will be followed. All other NTP steps will remain. The NTP process in the section above are followed, however the NTP is only issued for the demolition of the existing structure. The only variance in submittal requirements included the following:

- Zoning and land use approval is not required at the demolition stage and
- Demolition permit MUST have been received.

Once the builder satisfactorily completes demolition and gathers the necessary information for the NTP Package, the following procedures must be followed:

- The builder will obtain the required permits and ensure the appropriate zoning and land use approvals are obtained and submit all permits and any waste manifest (where asbestos abatement of the demolished structure is involved), required product/material submittal and the construction schedule.
- Upon receipt of all required documents, the Construction Manager will validate that the builder met all NTP conditions to proceed with new construction.
- The Construction Manager issues the NTP in writing using the appropriate form in hard copy or by e-mailing the scanned version and will upload the scanned version into the applicant's file.

8.31 Construction Process

The Construction Manager's responsibilities include but not limited to maintaining and creating paperwork for assignments, overseeing contractor pre-construction meetings, and conducting on site progress inspections. Contract Managers will upload the results of all progress inspections to the system of record and indicate pass/fail status to be used by VIHAF staff for builder invoice and draw request processing.

The Program will monitor and track information concerning landlord, progress through construction and draw request using the System of Record.

8.31.4 Construction Warranty

The builder must provide all warranties prior to the inspector signing a final inspection form. All warranties must meet the required warranty standards approved by the VIHFA and must include payment to an approved Warranty Insurance Program. Photographs of the construction work will be taken for documentation purposes. The landlord will be provided instruction booklets and a warranty information binder with an acknowledgement form they have reviewed it with their builder.

8.31.1 Inspections

Builders are responsible for contacting the Construction Manager to request an onsite progress inspection during construction. Inspections will be scheduled based on the type of reconstruction or rehabilitation to be performed. Further details regarding interim and final inspections can be found in the Inspections Standard Operation Procedures (SOP), which will include milestones required to be achieved for reconstructions, methodology for rehabilitation inspections, release of retainage, etc.

8.31.2 Draw Request Process

Builders contact the Construction Manager to schedule each progress inspection with Program Inspectors. Once the inspection is complete, the Program inspector returns the necessary paperwork to the contractor. The contractor completes the draw request paperwork and delivers the draw request to the Case Managers electronically. The Case Manager will upload the documents into the appropriate files and note the date of receipt in the System of Record. The Quality Assurance/Quality Control (QA/QC) team will review the draw request and the inspection

status in the System of Record and provide approval for the Case Manager to prepare the draw request package to be delivered to the VIHFA Finance Department via the System of Record. The Finance Department will review and approve the draw request and process payments according to the accounting policies and procedures. Payment will be issued to the builder within thirty (30) days from the date of the Construction Manager's approval of the draw request.

The amount allowed for draw requests will be based on the Program Solution number of progress inspections. The Program will withhold 10% from each draw for retainage. Schedule for draw requests and the associated payments will be detailed in the construction agreements.

8.31.3 Change Orders

Change orders are issued when the initial agreed upon scope and/or pricing require modification. The builder must complete a Change Order Request Form. This form and all supporting documentation must be delivered to the Construction Manager to be approved by the Senior Construction Manager, Program Manager and Landlord for approval. Change orders are invoiced on the final draw only. The purpose of the change order is to communicate and record changes to the contract document, contract amount milestones and/or contract time. Landlord-initiated changes in scope of work will not be accepted after the contract closing unless the change is related to an accessibility issue that has developed since the time of closing.

The Construction Manager will notify the builder in writing of either approval or denial of the builder's proposed change order. No change order shall be deemed valid if it is not approved in writing.

Once the Change Order is deemed reasonable by the Construction Manager, the Construction Manager will transfer the change documents to the Case Manager for recalculation of award amount. If the change results in a modification to the Loan agreement between the VIHFA and the landlord, the Loan agreement will be amended in addition to the construction agreement. Changes that result in a change to the Loan amount will require the Senior Program Manager's approval to modify the Loan agreement.

8.31.5 Design Services

The Program will fund the design of prototypical properties to be used in the Reconstruction Solution. There will be a minimum of two designs for each of the two-, three- and four-bedroom models. Additional design services will be incorporated into the ECR and funded with the individual award.

8.32 Operations Quality Assurance/Quality Control (QA/QC) Review

Once the Construction Manager has verified construction has been completed to occupancy and has uploaded all required documents to the System of Record, the application will be reviewed by QA/QC staff to confirm all program construction requirements are complete. They will confirm the required documentation is uploaded in the file for applicable construction requirements, final inspection and verify that all payment requests have been properly disbursed, less retainage, when applicable. Upon confirmation that all applicable program requirements have been completed and

appropriated documented, the QA/QC staff will submit the file to the “Final Loan Reconciliation” stage to account for any changes in DOB and/or scope adjustments.

Using a program specific checklist, if the QA/QC staff find a discrepancy and or determine that the file cannot pass QA/QC, they will reject the file in the system and send it back for review by the Construction Manager. If the file passes QA/QC review, the staff then moves the file to Final Loan Reconciliation.

8.33 Final Loan Reconciliation and Closeout

Once the file has passed QA/QC, the file will undergo a Final Loan Reconciliation. This review will include a final DOB review if necessary and incorporate any final scope adjustments. The Compliance and Monitoring will send the landlord a letter indicating any changes to the Loan award. The applicant must return a signed copy of the Final Loan Reconciliation within 30 days. If the applicant owes funds back to the Program, an accounts receivable will be opened, and the file will not move forward until the requested funds are repaid to the Program. If a final payment or retainage payment is owed to the applicant, then upon receipt of the signed Final Loan Reconciliation, final payment or retainage payment will be issued to the applicant.

After any disbursement or over-disbursement reconciliations, the file is ready for final closeout and archive.

The Program and Case Management contractor will process the removal of the Declaration of Covenants and Restrictions.

Applicant is notified in this correspondence that he/she no longer has any obligation to the Program. The applicant is instructed to keep all receipts and documentation for at least five (5) years in the event their file is audited or reviewed. Once complete, the file will move to Application Archival status.

9.0 RECORDS MANAGEMENT

VIHFA Operations and Housing Recovery Staff (including contractors) will comply with 24 CFR Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, VIHFA follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five years after closeout of the Loan between HUD and VIHFA. VIHFA established requirements in its sub-recipient and contractor agreements for compliance with all HUD cross cutting requirements outlined in 2 CFR 200 Appendix II, including record keeping requirements.

Owners are advised that additional information may be required to properly calculate the Loan Amount and that Owners shall maintain all records, receipts invoices and other documentation related to any repairs, construction, or clean-up of the damaged rental property for no less than five years from the date of the Loan agreement.

Additional information regarding Records retention, how the Program will manage Personally Identifiable Information (PII), and file security, please refer to the VIHFA General Administrative Policy Manual (insert link).

10.0 APPENDICES